Information Services Industry Program (ISIP)
Annual Client Presentation
1983

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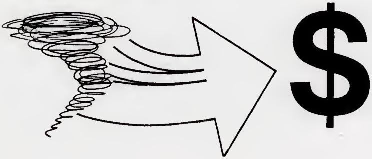
001MCP3

INPUT Presents . . .

PROFITING FROM THE WHIRLWIND OF CHANGE



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INFORMATION SERVICES INDUSTRY PROGRAM (ISIP)
ANNUAL CLIENT PRESENTATION
1983

PROFITING FROM THE WHIRLWIND OF CHANGE

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AGENDA

- Introduction
- Executive Summary
- Competitive Overview
- Industry Trends
- End-user Computing
- Market Outlook
- Conclusions and Recommendations

INPUT

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THEME

Market's rapidly changing character requires a higher degree of business strategy integration.

INPUT

TODAY'S OBJECTIVE

- Describe Major Market Directions and Changes for 1983-1988

- Suggest High-potential Strategies and Actions

INPUT

INPUT PROGRAMS

- Information Systems Program (ISP)
- Information Services Industry Program (ISIP)
- Company Analysis and Monitoring Program (CAMP)
- Field Services Program (FSP)
- Federal Information Systems and Services Program
- Custom and Multi-client Research

INPUT

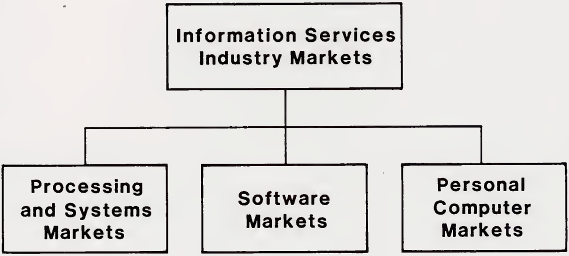
THEME

This integration combines previously distinct . . .

- Markets
- Products
- Distribution Channels
- Delivery Modes

INPUT

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)



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1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Information Services Industry Markets
• Inquiry Service and Support • Joint Client Conference • Executive Bulletins, Seminars • Acquisition Strategy Report • Annual Industry Report Series • Market Alert: Banking/Finance • Market Alert: Discrete Manufacturing

INPUT

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Software Markets
• Annual Report - 1984-1989 • Annual Presentation • Five Market Reports - IBM Software Strategy - Software Productivity - Integrated DBMS - Applications - Fourth Generation Languages - Professional Services

INPUT

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Processing and Systems Markets

- Annual Report - 1984-1989
- Annual Presentation
- Five Market Reports
  - On-line Data Bases
  - Telecommunications
  - PC-to-mainframe
  - Successful RCS Strategies
  - Small Organizations

INPUT

8C MCP3

1984 MARKET ANALYSIS AND PLANNING SERVICE (MAPS)

Personal Computer Markets
• Annual Report - 1984-1989   • Annual Presentation   • Five Market Reports   - PC-to-mainframe   - Applications Transfer   - PC Software Support   - Pricing and Distribution   - Home Computers

INPUT

8EMCP3

KEY ISSUES

- Integrating PCs with Processing Services
- Best Strategies for Processing Services Vendors
- Response to Potential Software Price Erosion
- Outlook for Data-based Services
- Competing Against Better Financed Vendors

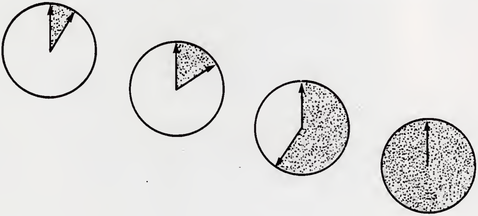
INPUT

EXECUTIVE SUMMARY

- Growth by Delivery Mode
  - 1983 Versus 1982
  - Five-year·Forecasts
- Recap of Key Issues

INPUT

THE INFORMATION SERVICES INDUSTRY IN 60 SECONDS



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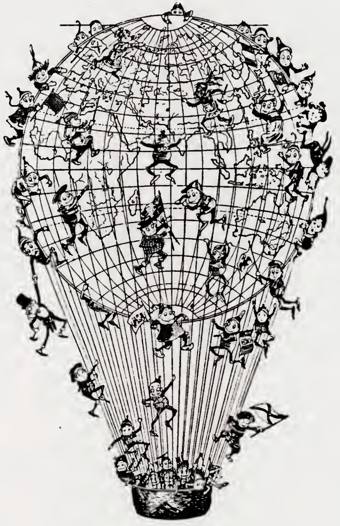
OPPORTUNITIES ABOUND



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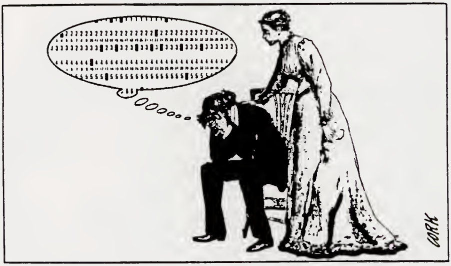
BUT DISAPPOINTMENTS CAN OCCUR

INPUT

THE PAST IS GONE FOREVER



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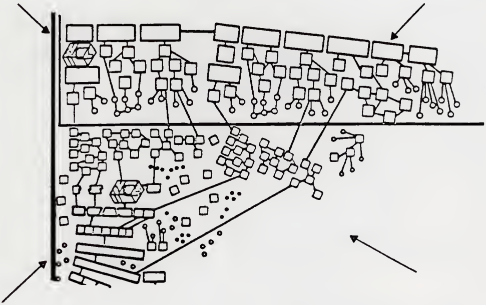
EVERYTHING IS CHANGING



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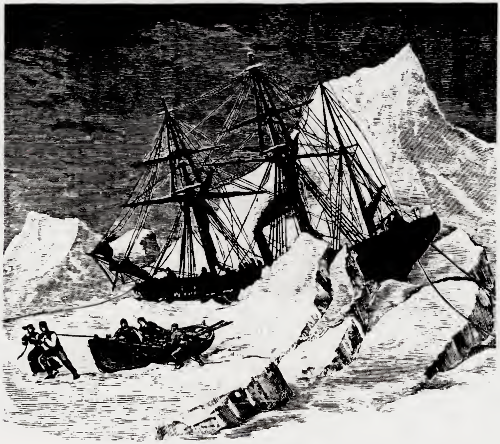
FLEXIBILITY IS CRUCIAL



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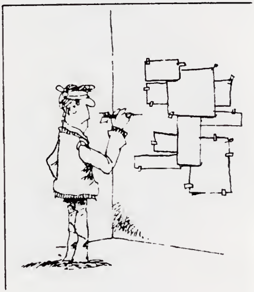
SELECT OPPORTUNITIES CAREFULLY



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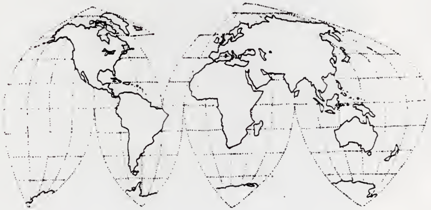
SEEK DEPENDABLE PARTNERS

INPUT

THERE'S A WORLD OF OPPORTUNITY



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FORECASTS

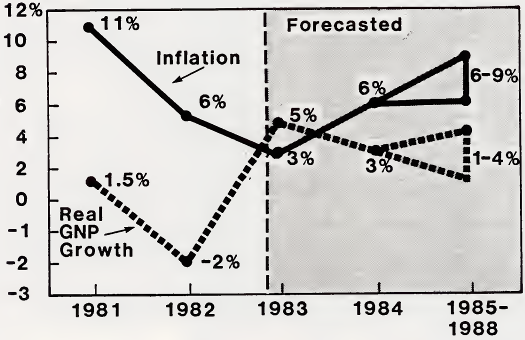
INPUT

FORECAST PARAMETERS

- U.S. Noncaptive User Expenditures
- Calendar Year
- Current Dollars
- AAGR = Average Annual Growth Rate

INPUT

ECONOMY TRENDS



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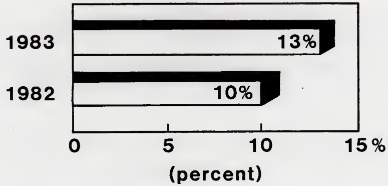
PROCESSING SERVICES ANNUAL MARKET GROWTH



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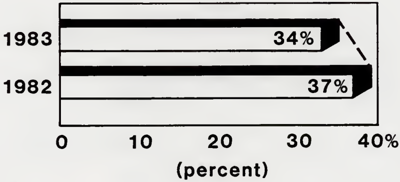
SOFTWARE PRODUCTS ANNUAL MARKET GROWTH



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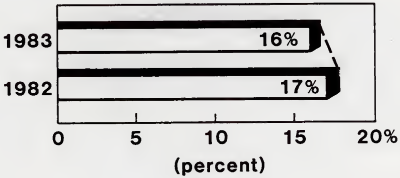
PROFESSIONAL SERVICES ANNUAL MARKET GROWTH



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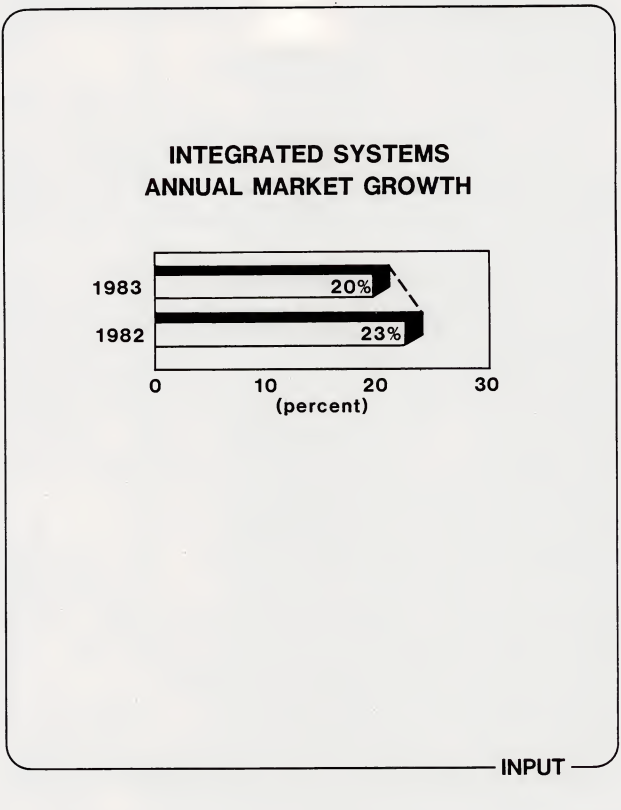
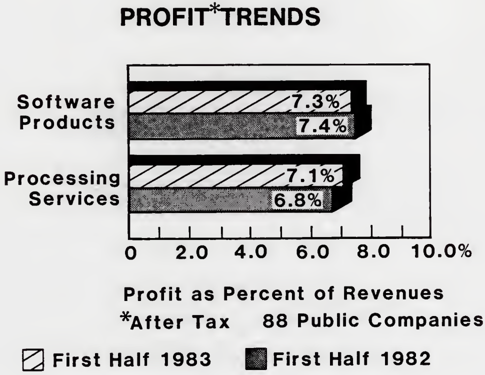

INTEGRATED SYSTEMS
ANNUAL MARKET GROWTH
1983
20%
1982
23%
0
10
20
30
(percent)
INPUT

042MCP3



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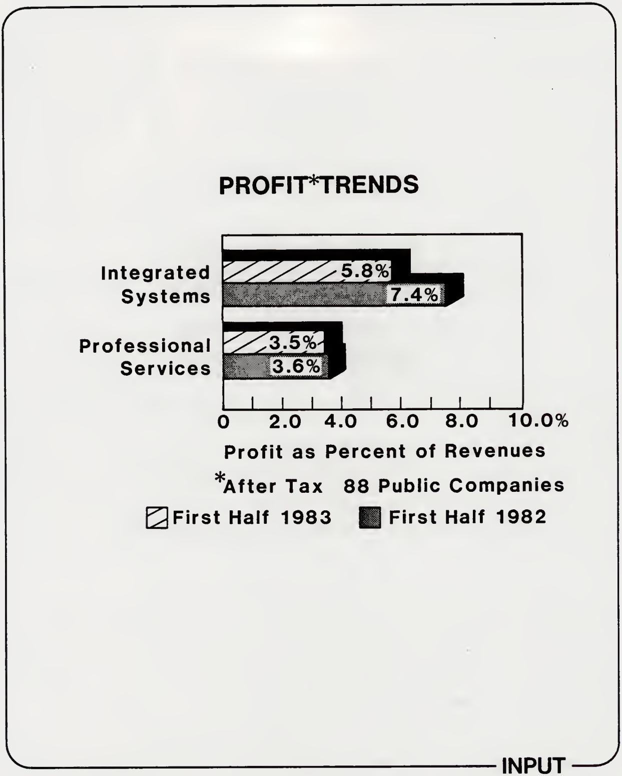
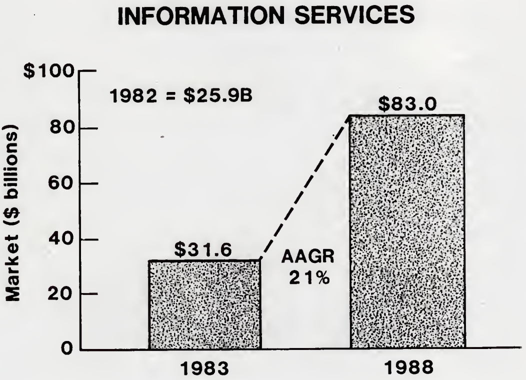
43AMCP3


PROFIT*TRENDS
Integrated Systems
5.8%
7.4%
Professional Services
3.5%
3.6%
0
2.0
4.0
6.0
8.0
10.0%
Profit as Percent of Revenues
*After Tax 88 Public Companies
First Half 1983
First Half 1982
INPUT



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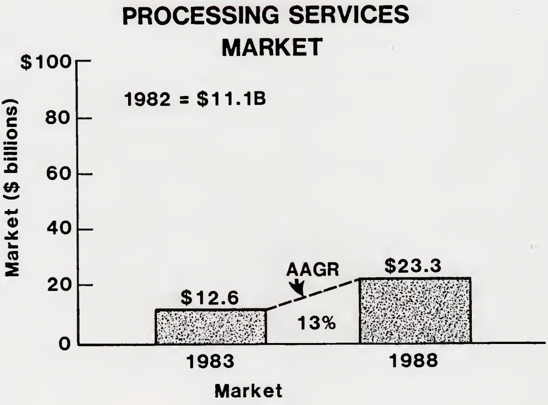

INPUT

045MCP3

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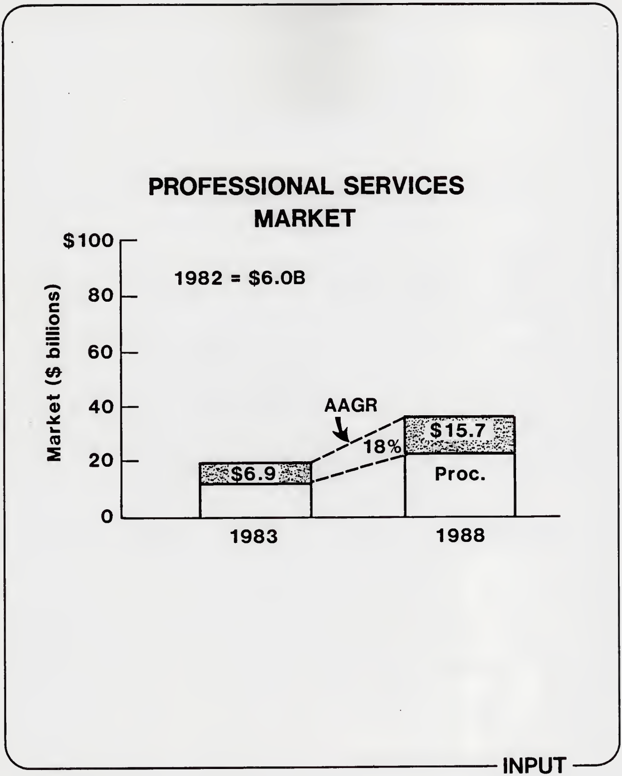

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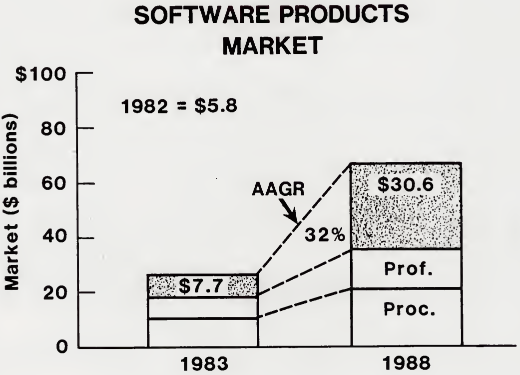
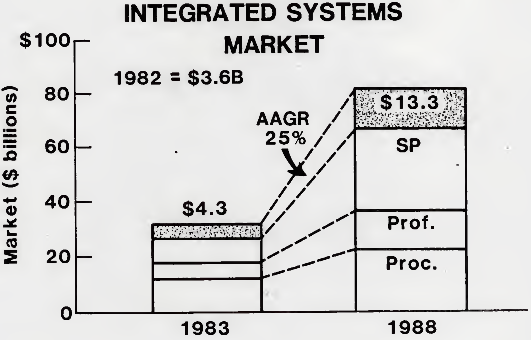


INPUT

047MCP3

INPUT



INPUT

048MCP3

INPUT

III. COMPETITIVE OVERVIEW

- Largest
- Fastest Growing
- Acquisitions, Disengagements

INPUT

051MCP3

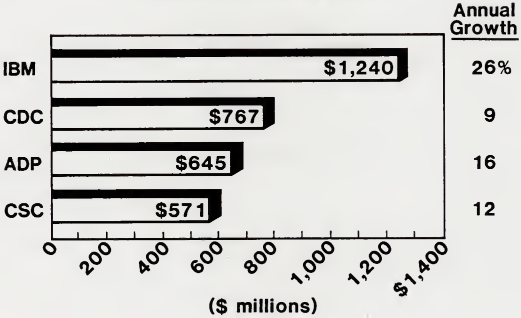
INPUT

VENDOR DATA

- 1982 Calendar Year
- U.S. Revenue
- Noncaptive

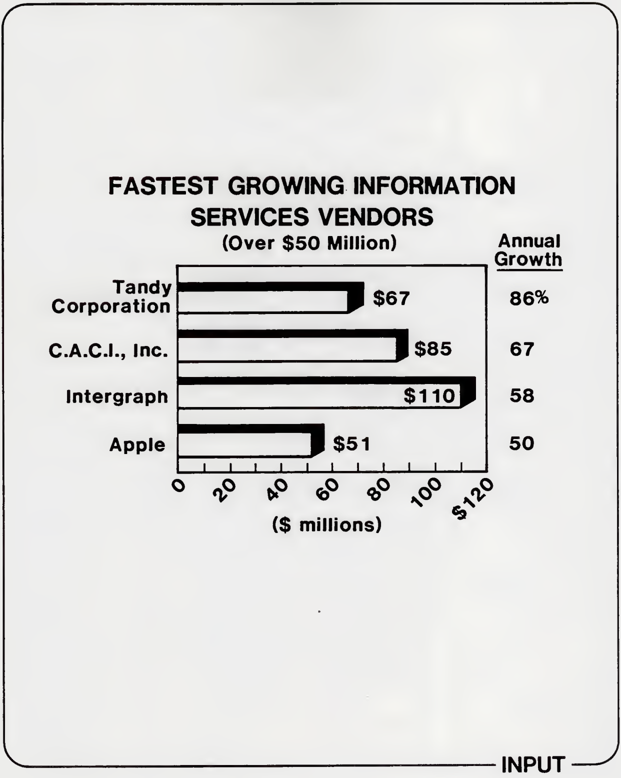
INPUT

LARGEST INFORMATION SERVICES VENDORS

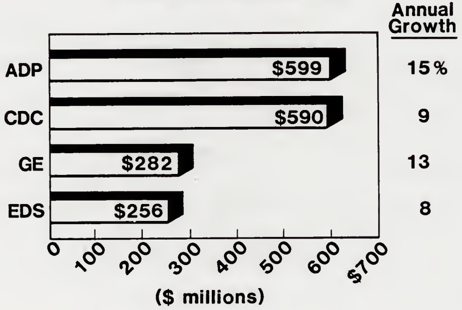


INPUT

053MCP3


FASTEST GROWING INFORMATION SERVICES VENDORS
(Over $50 Million)
Annual Growth
Tandy Corporation
$67
86%
C.A.C.I., Inc.
$85
67
Intergraph
$110
58
Apple
$51
50
0
20
40
60
80
100
$120
($ millions)
INPUT

LARGEST PROCESSING SERVICES VENDORS



INPUT

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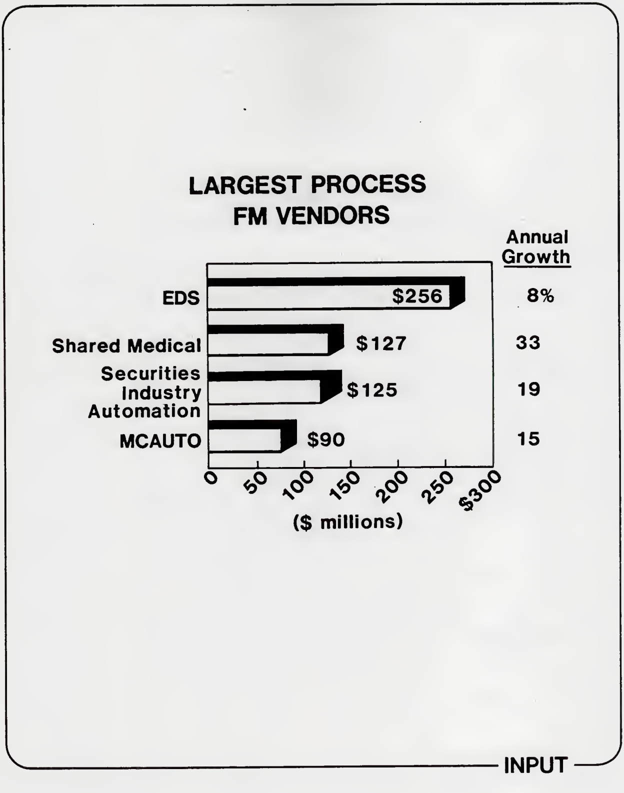
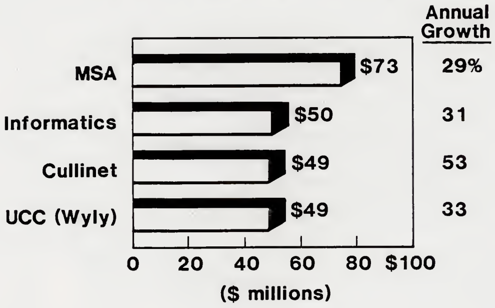
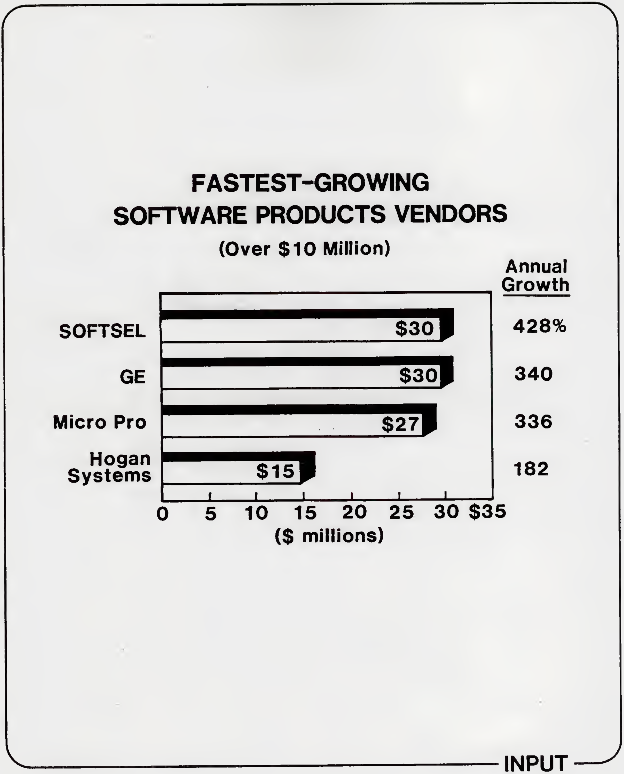

LARGEST PROCESS
FM VENDORS
Annual
Growth
EDS
$256
8%
Shared Medical
$127
33
Securities
Industry
Automation
$125
19
MCAUTO
$90
15
0
50
100
150
200
250
$300
($ millions)
INPUT

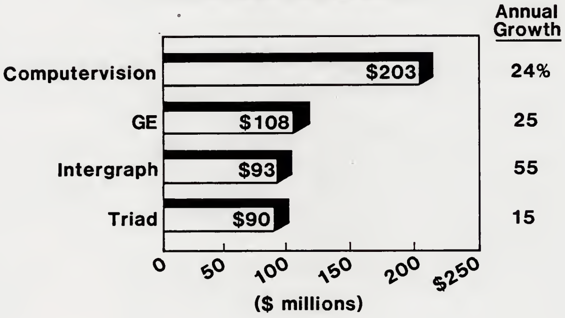
LARGEST INDEPENDENT SOFTWARE PRODUCT VENDORS



INPUT

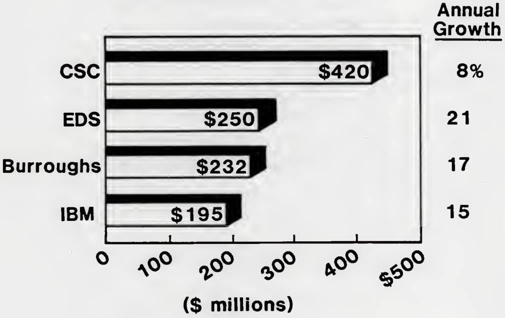

FASTEST-GROWING
SOFTWARE PRODUCTS VENDORS
(Over $10 Million)
Annual Growth
SOFTSEL
$30
428%
GE
$30
340
Micro Pro
$27
336
Hogan Systems
$15
182
0
5
10
15
20
25
30
$35
($ millions)
INPUT

LARGEST INTEGRATED SYSTEMS VENDORS



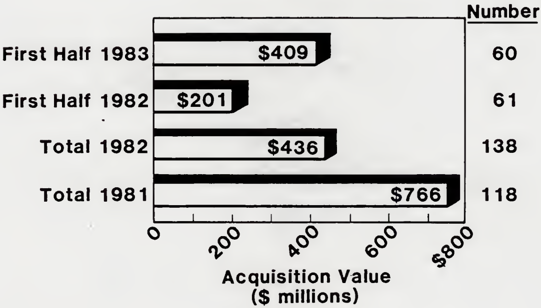
INPUT

LARGEST PROFESSIONAL SERVICES VENDORS



INPUT

ACQUISITION ACTIVITY



SOURCE: Broadview Associates

INPUT

062MCP3

INPUT

ACQUISITIONS

Acquirer	Acquired
Dun & Bradstreet	McCormack & Dodge
Martin Marietta Data Systems	Mathematica
Scientific Software	Intercomp Development & Engineering

INPUT

ACQUISITIONS

Acquirer	Acquired
ADP	GTE Telenet Services
AGS	Micro America Distributing
Computer Associates	IUS

INPUT

DISENGAGEMENTS

Disengaged By	Disengaged Unit	Sold To
Chase Manhattan Bank	Managistics, Inc.	Bank of America
ADP	CPI, Inc.	Continental Corp.
American General	NLT Computer Services	Management Group

INPUT

INDUSTRY TRENDS

- I.S. Manager's Perspective
- Hardware
- Software
- Telecommunications
- Implications for People

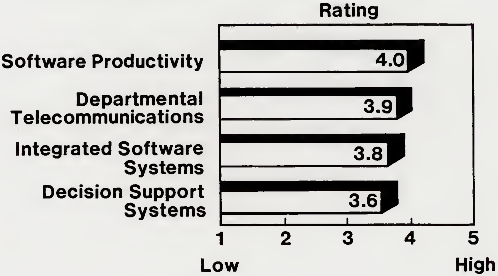
INPUT

TOP CONCERNS OF I.S. MANAGERS

Top Problems	Top Objectives
1. Software	1. Software
2. Personnel	2. Hardware
3. User Relations	3. Personnel

INPUT

HIGH-INTEREST AREAS OF LARGE-COMPANY I.S. EXECUTIVES



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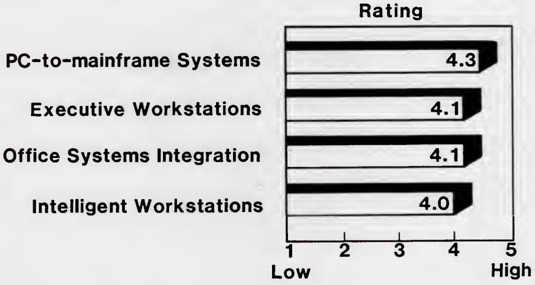
HIGH-INTEREST AREAS OF LARGE-COMPANY I.S. EXECUTIVES

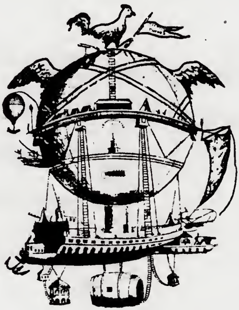


INPUT

068MCP3

INPUT

HARDWARE



INPUT

MID-80s CENTRAL COMPUTERS

- Will Concentrate On:
  - Large Shared Data Bases
  - Data Archiving and Retrieval
  - Large Transaction-driven Data Capture
- Will Decline in Price 10% Annually

INPUT

MID-80s END-USER COMPUTERS

- A $5,000 "370/158" will sit on one square foot of your desk.

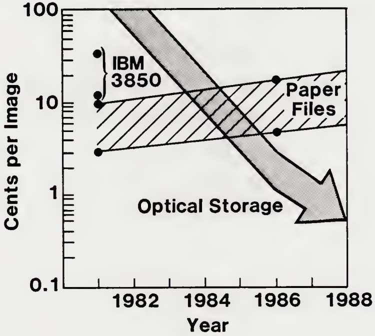
INPUT

WORKSTATIONS

- More Integration
  - PCs
  - Telephone
  - Voice/Data/Text/Graphics
  - Local Area Network
- IBM/Rolm = Stronger Voice Commitment

INPUT

OPTICAL STORAGE TO BECOME 10 TIMES CHEAPER THAN PAPER



INPUT

SOFTWARE

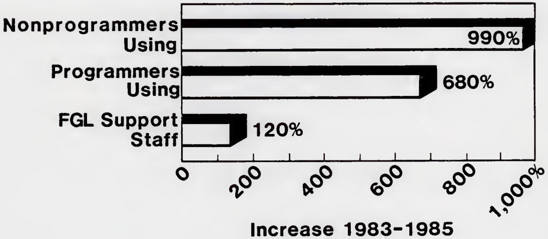
INPUT

FOURTH GENERATION LANGUAGE CONVERSION TARGETS

Characteristic	Importance
User Willing to Assume Responsibility	High
Constantly Changing User Needs	High
Defined User System Ownership	High

INPUT

EXPECTED INCREASES IN FOURTH GENERATION LANGUAGE USE



INPUT

084MCP3A

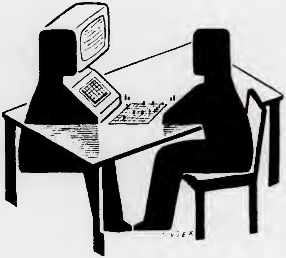
DESIGN FOR RISING USER EXPECTATIONS

- Comprehensive Integration
- Windowing
- Better Ergonomics
  - Icons, Help Functions
  - Grows with User
  - Response: 0.1 Second

INPUT

EXPERT SYSTEMS GAINING COMMERCIAL ACCEPTANCE

- Medicine
- Law
- Business



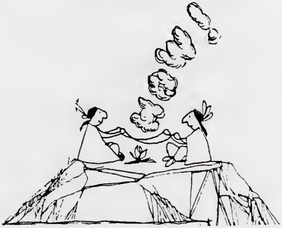
INPUT

SOFTWARE RECOMMENDATIONS

- Upgrade Current Products with . . .
  - DBMS
  - Fourth Generation Languages
  - Friendlier User Interfaces

INPUT

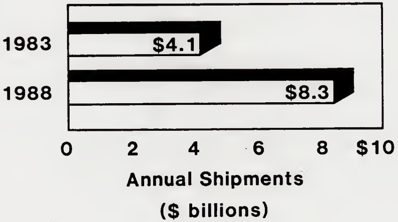
TELECOMMUNICATIONS



INPUT

TELECOMMUNICATIONS TRENDS

- **Equipment Shipments to Double**



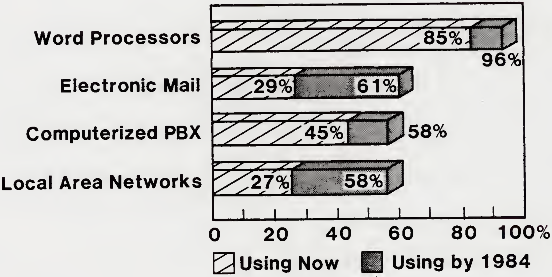
INPUT

TELECOMMUNICATIONS TRENDS

- Rapid Growth for:
  - Private Networks
  - LANs
- High-speed Voice and Data Integration

INPUT

MORE TELECOMMUNICATIONS-BASED APPLICATIONS



INPUT

090MCP3B

INPUT

IMPACT OF AT&T BREAKUP

- Radically Different Environment
- Rate Hikes
- Usage-based Pricing

INPUT

IMPACT OF AT&T BREAKUP

- Emergence of Multiple Leased Line Suppliers
- More Bypass Vendors
- Competition in Your Business

INPUT

IMPACT OF AT&T BREAKUP ON I.S. MANAGERS

- Must Do More Network Managing, Planning
- Evaluate More Vendor Options
- Must Reassess Current Network Cost Effectiveness
- More Interest in Technology Directions

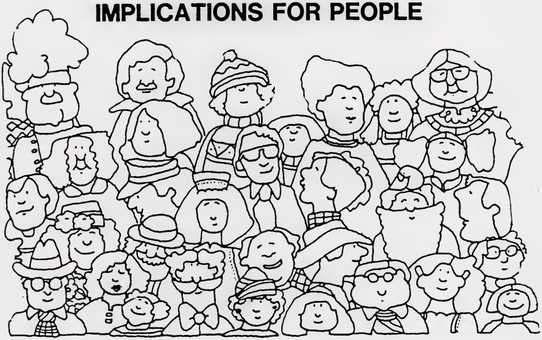
INPUT

IMPACT OF AT&T BREAKUP: VENDOR IMPLICATIONS

- Cost Savings Appeal
- Higher Demand For:
  - Error-free Services
  - Network Software (Gateways, Protocol Converters)
  - Network Management Consulting

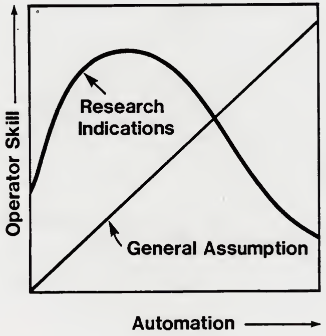
INPUT

IMPLICATIONS FOR PEOPLE



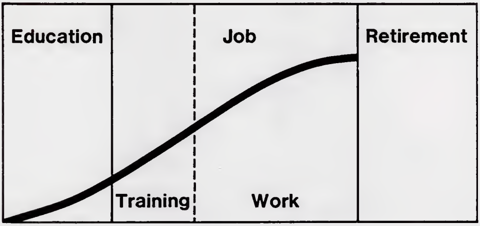
INPUT

SKILL VERSUS AUTOMATION



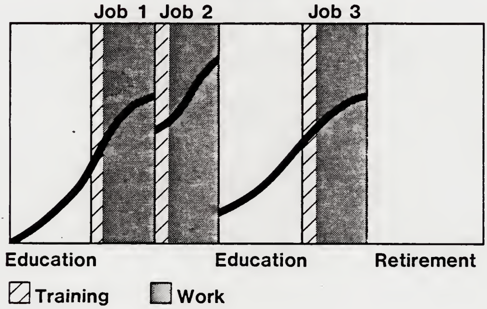
INPUT

OLD CAREER CYCLES



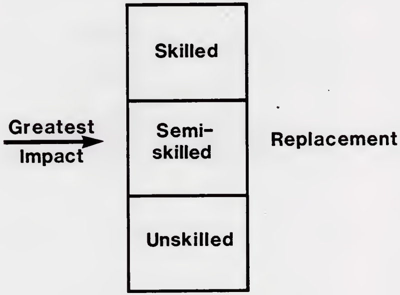
INPUT

NEW CAREER CYCLES



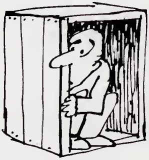
INPUT

WORKFORCE IMPACT



INPUT

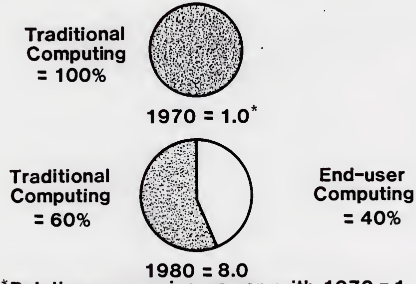
REVOLUTION IN END-USER COMPUTING



- Scope
- Information Centers
- Personal Computers
- Office Systems

INPUT

CHANGES IN COMPUTING FOCUS



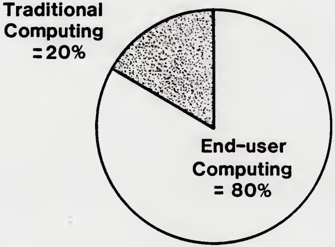
*Relative processing power, with 1970 = 1

INPUT

7UCN3PC
101MCP3

INPUT

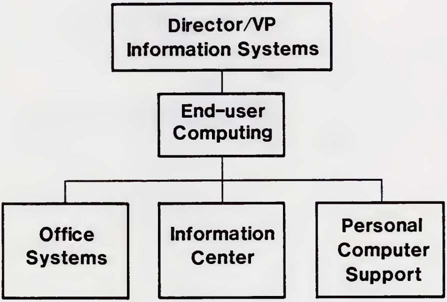
CHANGES IN COMPUTING FOCUS



1990 = 160.0
Relative processing power, with 1970 = 1

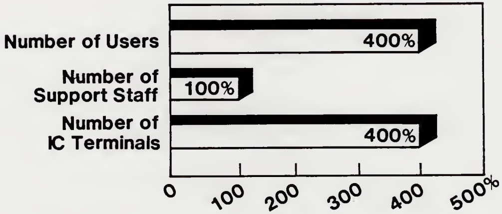
INPUT

"END-USER COMPUTING" ORGANIZATION



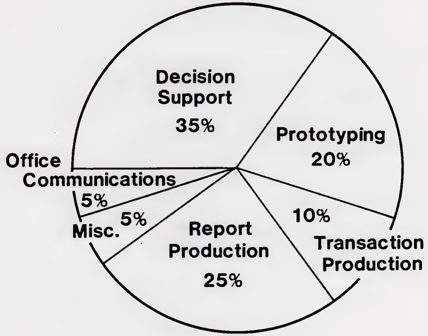
INPUT

INFORMATION CENTER GROWTH, 1983-1985



INPUT

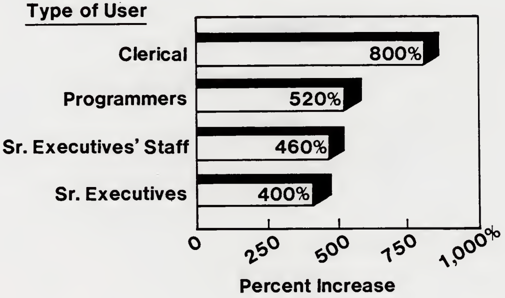
TYPICAL INFORMATION CENTER APPLICATIONS



INPUT

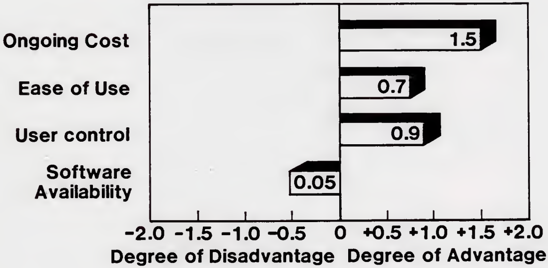
105MCP3

INCREASE IN TYPE OF INFORMATION CENTER USER, 1983-1985



INPUT

THE INFORMATION CENTER COMPARED TO RCS



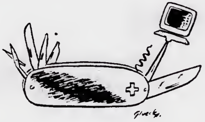
INPUT

INFORMATION CENTER OPPORTUNITIES

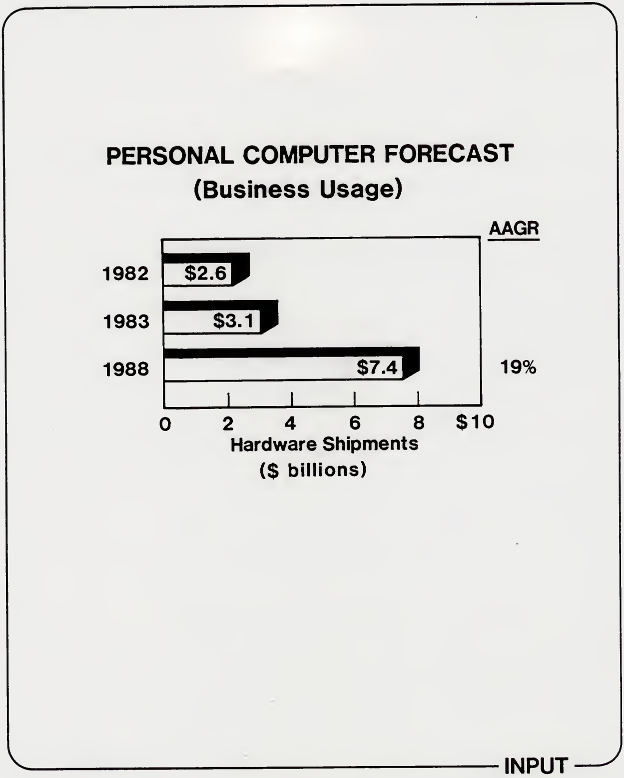
- RCS Entry to I.S. Manager
- Support and Training
- Software

INPUT

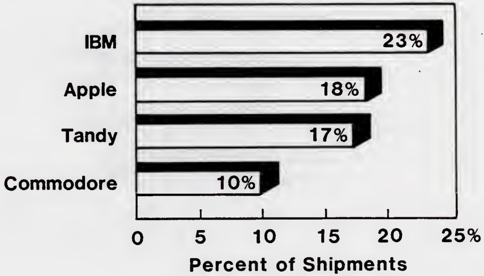
PERSONAL COMPUTERS



INPUT


PERSONAL COMPUTER FORECAST
(Business Usage)
AAGR
1982
$2.6
1983
$3.1
1988
$7.4
19%
0
2
4
6
8
$10
Hardware Shipments
($ billions)
INPUT

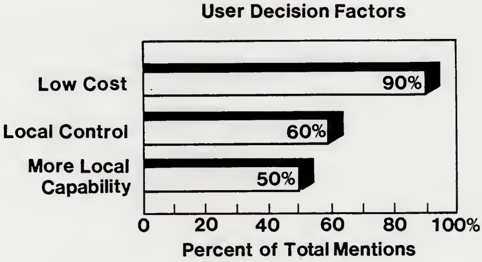
PC MARKET SHARES
HARDWARE SHIPMENTS, 1982



INPUT

111MCP3

WHY PCs?



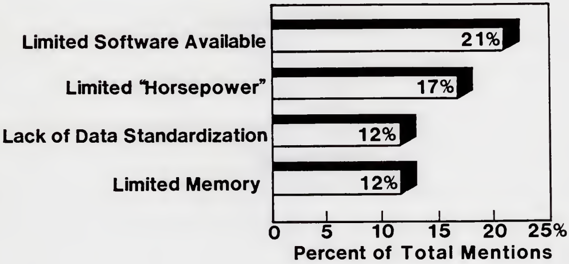
- Sound Familiar?

INPUT

112MCP3

INPUT

SHORTCOMINGS OF PCs



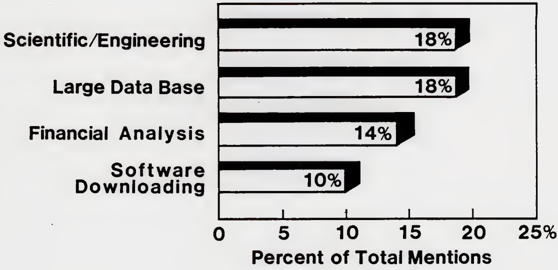
INPUT

PC HARDWARE TRENDS
(Business Usage)

- 20% Annual Price Decline
- More:
  - Interconnections
  - Multi-user Systems
  - Fixed Disk Storage
  - Quality Printers
- Evolving to Small Business Systems

INPUT

APPLICATION CHARACTERISTICS DESIRED BUT CONSIDERED INFEASIBLE ON PCs



INPUT

PC SOFTWARE TRENDS

- Higher Level Operating Systems
- Enhanced Portability
- Improved Data Security
- More DBMS-based Applications
- Wider Pricing Ranges

INPUT

PC OPERATING SYSTEMS

- Many Options (PC-DOS, CP/M, UNIX, XENIX, p-System, PICK, etc.)
- Corporations Beginning to Standardize
- Shakeout Coming

INPUT

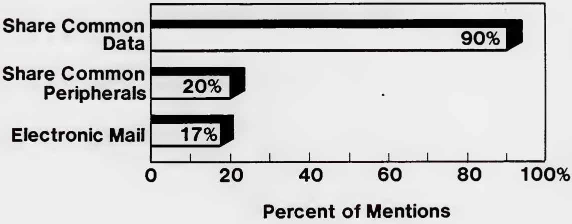
PC OPERATING SYSTEMS

- Evaluate Carefully:
  Vendor Friendly $\neq$ End-user Friendly

- Likely Volume Winner: PC-DOS

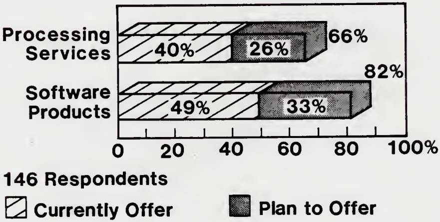
INPUT

PURPOSES OF INTERCONNECTING PCs



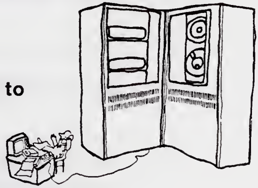
INPUT

VENDOR INVOLVEMENT WITH PERSONAL COMPUTERS



INPUT

PC-TO-MAINFRAME OFFERINGS



- PC Shift from Personal to Departmental Use
- Explosion of Products
- Leadership from Mainframe Vendors

INPUT

PC DISTRIBUTION IMPLICATIONS

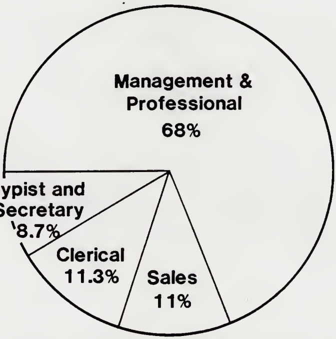
- Distribution Channel Selection Is Critical
- Brand Name Recognition a Key Asset
- Watch Out for . . .
  - Crowded Dealer Shelves
  - Dealer Shakeout
- Consider Mainframe Sales Force

INPUT

OFFICE SYSTEMS

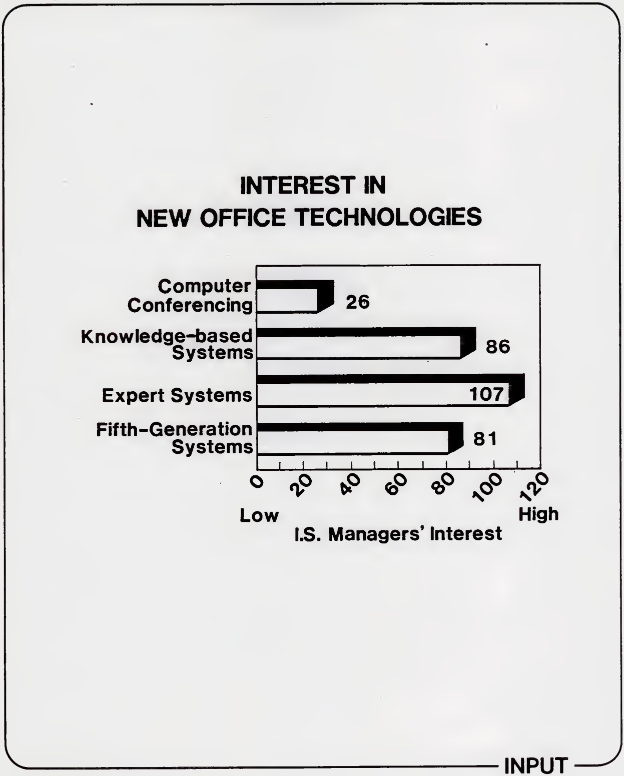
INPUT

THE PROFESSIONAL: THE EMERGING OFFICE SYSTEMS USER



Office Categories by Salary Cost

INPUT



INTEREST IN
NEW OFFICE TECHNOLOGIES
Computer Conferencing
26
Knowledge-based Systems
86
Expert Systems
107
Fifth-Generation Systems
81
0
20
40
60
80
100
120
Low
High
I.S. Managers' Interest
INPUT

126MCP3

LAN DIRECTIONS

- Fewer Single-vendor LANs
- Reduced Cost Per Connection
- Progress toward Standardization
- IBM Entry

INPUT

OFFICE SYSTEMS IMPLICATIONS

- Go with Likely Desktop Winners
- Establish Competitive Edge Via . . .
  - Exceptionally User Friendly Systems
  - High Quality Training and Support
  - Data Security Features
  - Application Integration

INPUT

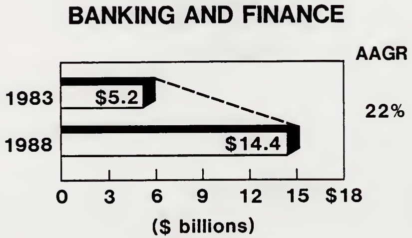
MARKET OUTLOOK

- Industry Sectors
- Delivery Mode Outlook

INPUT

BANKING AND FINANCE

INPUT


BANKING AND FINANCE
AAGR
1983
$5.2
22%
1988
$14.4
0
3
6
9
12
15
$18
($ billions)

TRENDS

- New Banking Options
  - Insurance, Real Estate
  - Information Services
- Entry of Nonbanking Competitors

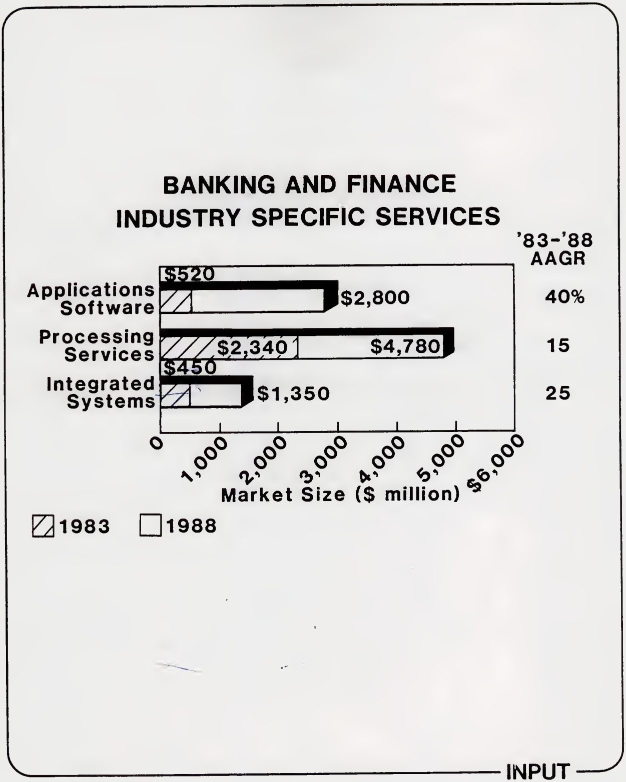
INPUT

Banking and Finance

MORE COMPETITION FOR VENDORS

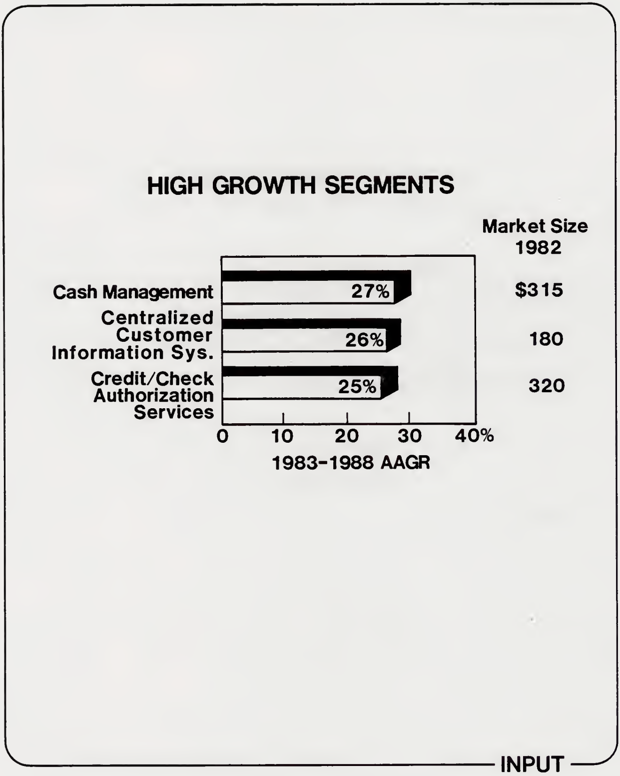
- Large Banks
- IBM
- Current Vendors
  - More Banking Departments Served
  - More Delivery Modes Offered

INPUT



BANKING AND FINANCE
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications
Software
$520
$2,800
40%
Processing
Services
$2,340
$4,780
15
Integrated
Systems
$450
$1,350
25
0
1,000
2,000
3,000
4,000
5,000
$6,000
Market Size ($ million)
1983
1988
INPUT

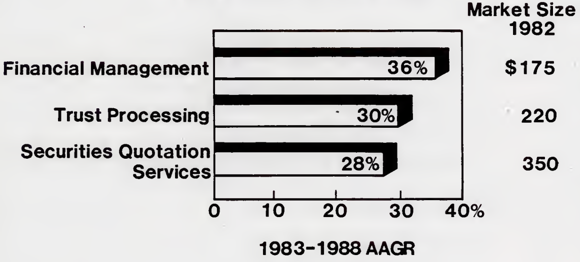
132AMCP3



137MCP3

INPUT

HIGH GROWTH SEGMENTS



INPUT

136MCP3

RECOMMENDATIONS

- Evaluate High Potential Application Areas
  - Integrated Trust/Retail/Wholesale Banking
  - Brokerage Services
  - Automated Cash Management Decisions
  - Planning Models
  - Home Banking

INPUT

Banking and Finance

RECOMMENDATIONS

- Upgrade Existing Products With:
  - DBMS
  - Fourth-generation Languages
  - Voice Response

INPUT

Banking and Finance

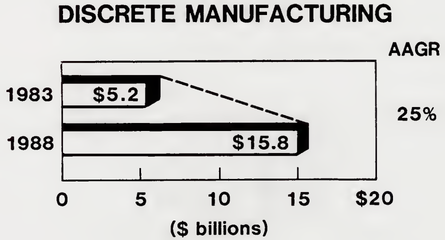
RECOMMENDATIONS

- Place Strategic Emphasis On:
  - Application Integration
  - PC, Turnkey-based Services
  - Client Involvement in Product Design

INPUT

DISCRETE MANUFACTURING

INPUT


DISCRETE MANUFACTURING
AAGR
1983
$5.2
25%
1988
$15.8
0
5
10
15
$20
($ billions)

INPUT

Discrete Manufacturing

KEY MANUFACTURING ISSUES

- Processes Becoming More Complex
- Increasing Domestic, Foreign Competition
- Excessive
  - Plant Capacity
  - Factory Downtime
  - New Product Launch Duration

INPUT

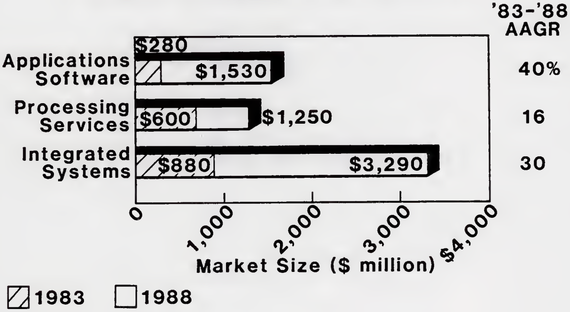
Discrete Manufacturing

TRENDS

- CAD/CAM Changing Rapidly
  - Design (Not Drafting) Preference
  - Integrated Approach Wanted
- Robotics Gaining Momentum
- Machine Vision Systems Emerging

INPUT

DISCRETE MANUFACTURING INDUSTRY SPECIFIC SERVICES



INPUT

143A MCP3

INPUT

Discrete Manufacturing

COMPETITIVE ACTIVITY

- Hardware Vendors Seeking Software
- Some Financial Hiccups
- IBM - Computervision Agreement

INPUT

Discrete Manufacturing

RECOMMENDATIONS

- Target
  - Improved MRP Systems
  - Network Services Linking Suppliers, Distributors
  - CAD/CAM Integration
  - Robotic Applications Simulation

INPUT

Discrete Manufacturing

RECOMMENDATIONS

- Emphasize Software
- Expand Professional Services
- Narrow Market Focus

INPUT

ENGINEERING AND SCIENTIFIC

INPUT

Engineering and Scientific

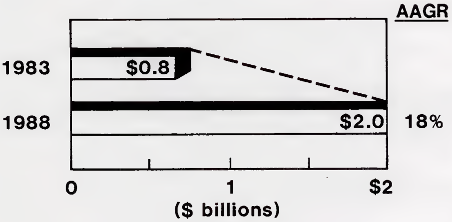
PROFILE

- Strong Economic Recovery
- Pent-up Demand
- Faster Design and Analysis Cycles
- More Engineering Audits
- More "Validated" Software
- Engineering Workstations
  Up 35% Annually

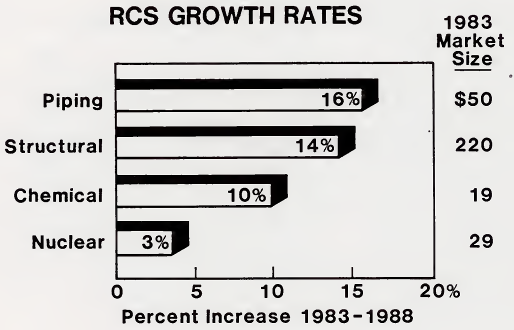
INPUT

Engineering and Scientific

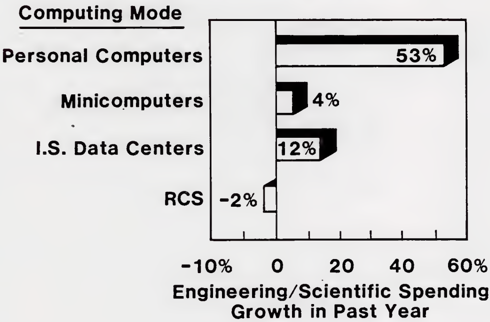
TOTAL MARKET 1983 - 1988



INPUT


RCS GROWTH RATES
1983 Market Size
Piping
16%
$50
Structural
14%
220
Chemical
10%
19
Nuclear
3%
29
0
5
10
15
20%
Percent Increase 1983-1988
INPUT

APPLICATIONS GOING IN-HOUSE



INPUT

CUSTOMER NEEDS ARE CHANGING

- Customers Still Want:
  - Support
  - Good Price/Performance
  - Engineering/Scientific Software

INPUT

CUSTOMER NEEDS ARE CHANGING

- But No Longer Value:
  - Supercomputers
  - RCS Business Relationships

INPUT

Engineering and Scientific

RECOMMENDATIONS

- New Looks are Required
  - Offer Integrated Systems of Engineering Workstations Tied to Networks
  - Offer Engineering Data Bases for Cost and Design

INPUT

Engineering and Scientific

RECOMMENDATIONS

- Maximize Support and Minimize Costs
  - Centralize Applications Expertise
  - Offer Regional Training
  - Deemphasize Local Support

INPUT

Engineering and Scientific

RECOMMENDATIONS

- Distribute Hardware
  - Branch Office Mainframes
  - User Site Hardware

INPUT

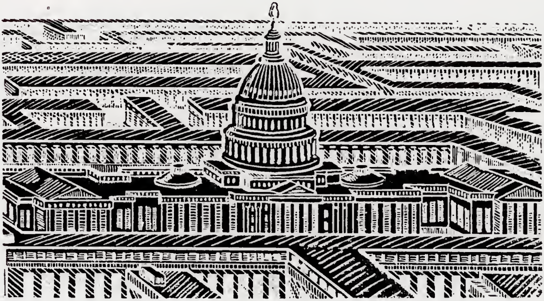
Engineering and Scientific

RECOMMENDATIONS

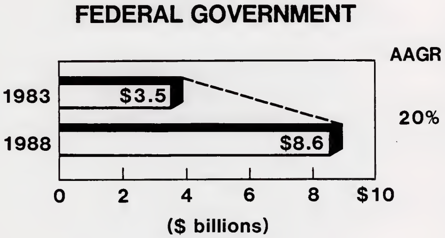
- Broaden Computing Mode Support
  - Integrate Small Computers
  - Maximize Proprietary Software
  - Offer Integrated Systems
  - Support User Site Software

INPUT

FEDERAL GOVERNMENT



INPUT


FEDERAL GOVERNMENT
AAGR
1983
$3.5
1988
$8.6
20%
0
2
4
6
8
$10
($ billions)

INPUT

EMBEDDED COMPUTER RESOURCES

- Exempt from Brooks Act
- 25-fold Inventory Increase (1980 to 2000)
- Support SW Paces Applications

INPUT

EMBEDDED COMPUTER RESOURCES

- Inadequacies:
  - Standardization
  - Technology Base
  - Transferability
  - Management Discipline
- ECR Modelling on Commercial ADPE

INPUT

WHERE ARE THE PROGRAMMERS?

- 33% Annual Turnover
- 40% Shortfall in 1990
- ECR SW Logistics Demand
- Productivity Aids
- Retraining Needs
- Commercial Market Impact

INPUT

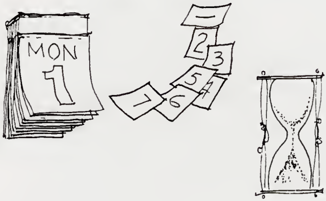
Federal Government

CONCLUSIONS

- Soaring Federal Market
- PC-driven Management Tools
- Software Engineering Disciplines
- Embedded Computer "Bow Wave"
- Skilled Labor Demand Impact

INPUT

INSURANCE



INPUT

PROPERTY/CASUALTY TRENDS

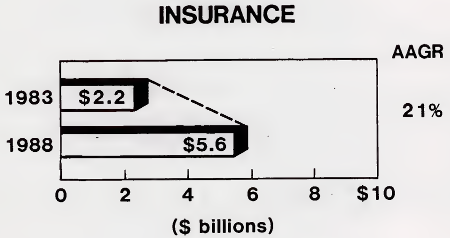
- Unfavorable Business Conditions
- - Overcapacity, Increased Competition
  - Underwriting Losses
- Information Services Needs
  - Better Agent Support
  - Better Underwriting Data

INPUT

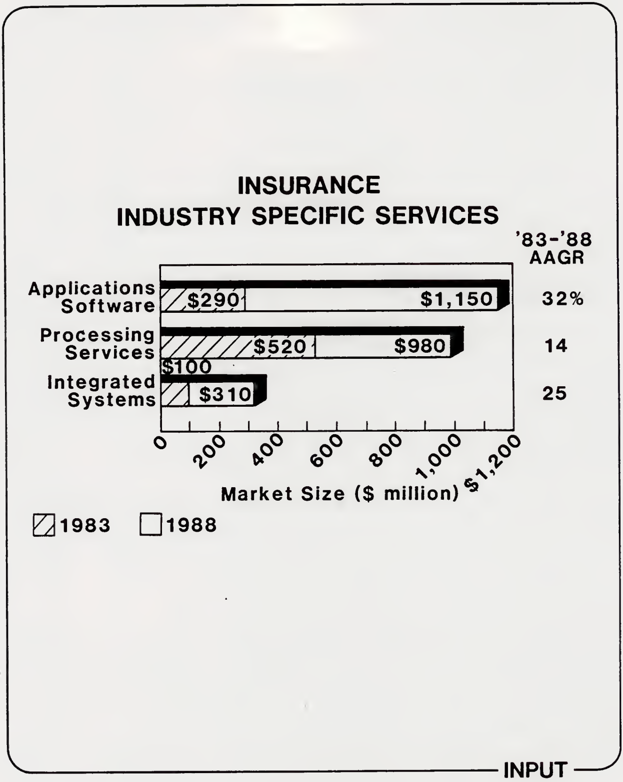
LIFE/HEALTH TRENDS

- Changing Product Mix
- Increased Self-insurance
- Non-insurance Competition
- Information Services Needs
  - Move Flexible Support Systems
  - Better Agent Support

INPUT


INSURANCE
AAGR
1983
$2.2
21%
1988
$5.6
0
2
4
6
8
$10
($ billions)

INPUT


INSURANCE
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications
Software
$290
$1,150
32%
Processing
Services
$520
$980
14
$100
Integrated
Systems
$310
25
0
200
400
600
800
1,000
$1,200
Market Size ($ million)
1983
1988
INPUT

MCP3

Insurance

COMPETITIVE ACTIVITIES

- ISA Redirection
- PMS = Major P&C Software Vendor
- Multiple PC-based Services
- PC Companies Offering Agency Automation
- IVANS in Test Mode

INPUT

Insurance

RECOMMENDATIONS

- Explore Opportunities Such As:
  - IVANS Tie-in Service
  - Commericial Lines Software
  - Third-party Benefit Administrators
- Keep Insurance Industry Expertise Visible

INPUT

MEDICAL

INPUT

174MCP3

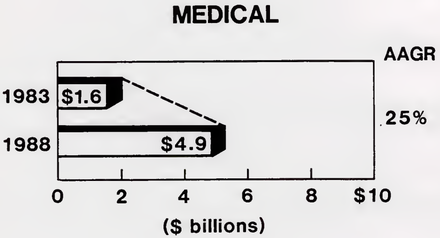
INPUT

Medical

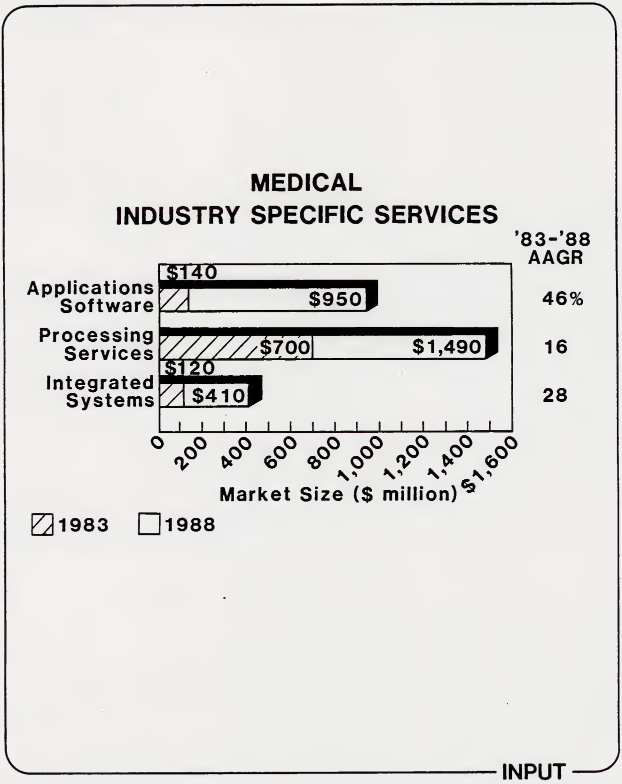
CHANGING STRUCTURES

- Intense Competition
- New Cost-sensitive Environment
  - Hospitals ⟶ Ambulatory Care
  - Larger Group Practices
- HMO, Chain, Walk-in Growth
- Large Corporation Management

INPUT



INPUT


MEDICAL
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications
Software
$140
$950
46%
Processing
Services
$700
$1,490
16
Integrated
Systems
$120
$410
28
0
200
400
600
800
1,000
1,200
1,400
$1,600
Market Size ($ million)
1983
1988
INPUT

MCP3

INPUT

SYSTEMS IMPLICATIONS

- Diagnosis-related Group (DRG) Reporting
- More Hospital Robotics
- More Expert Systems

INPUT

Medical

COMPETITIVE ACTIVITY

- More Joint Marketing
- More Insurance, CPA Vendors
- Vendor Diversification
  to Physician Market
- IBM More Aggressive

INPUT

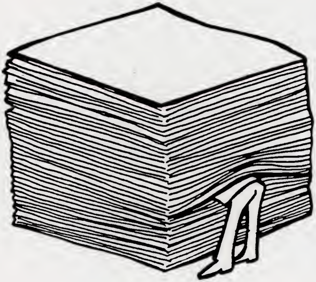
Medical

RECOMMENDATIONS

- Explore Emerging Application Opportunities
  - Cost Measurement Systems
  - Patient Data Bases
- Target Chains
- Emphasize Service/Software Support

INPUT

ON-LINE DATA BASES



INPUT

DATA BASE SERVICES

- More Cost-effective Storage, Processors, and Terminals
- More Outlets
- Better Network Management
- Better Information Handling Software
- But Higher Communications Costs

INPUT

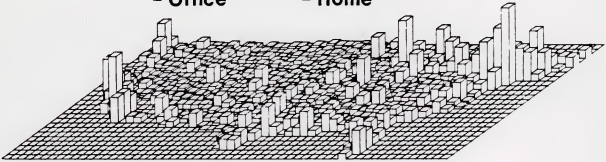
DATA BASE SERVICES DEMAND

- Market Conditioning through Advertising
- Broader Base of Customers
- More Demand for Qualified Information
- Need for Interrelated Data

INPUT

DATA BASE SERVICES DRIVING FORCES

- Shift from Dedicated to PC Terminals
- PC Proliferation Creating Millions of Access Points
  - Office
  - Home



INPUT

189MCP3

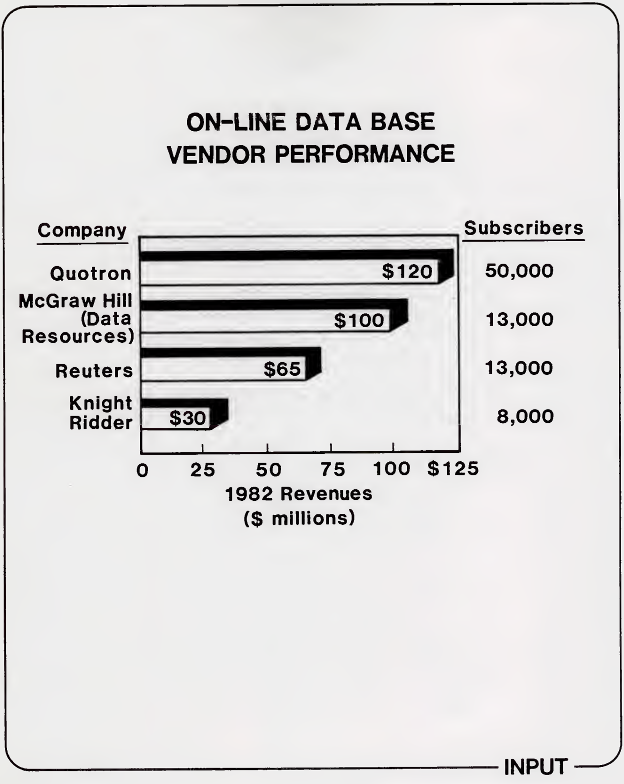
INPUT

DATA BASE VENDORS

- Dominant Vendors by Application

Economic	- DRI & IDC
Stock Quote	- Quotron
Credit	- Telecredit, TRW
Real Estate	- PRC
Legal (Text)	- Mead Lexis

INPUT



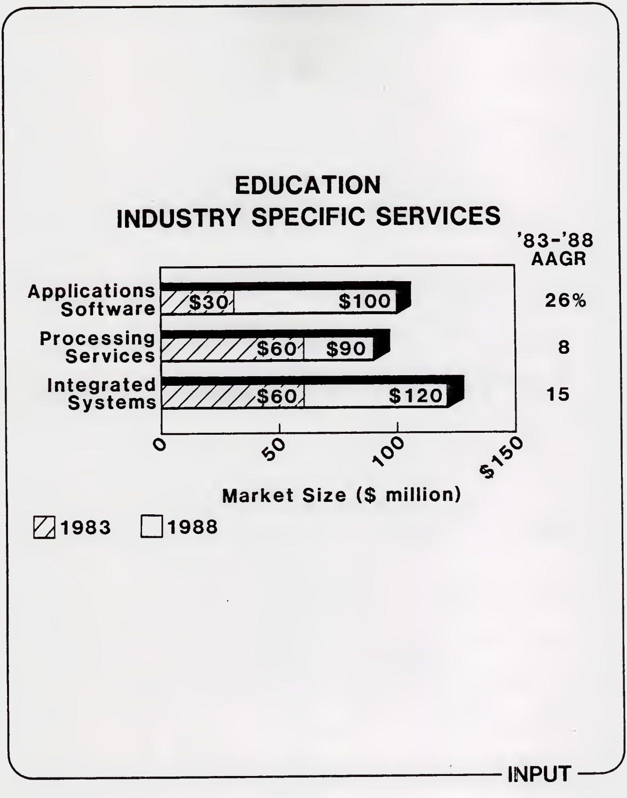
191MCP3

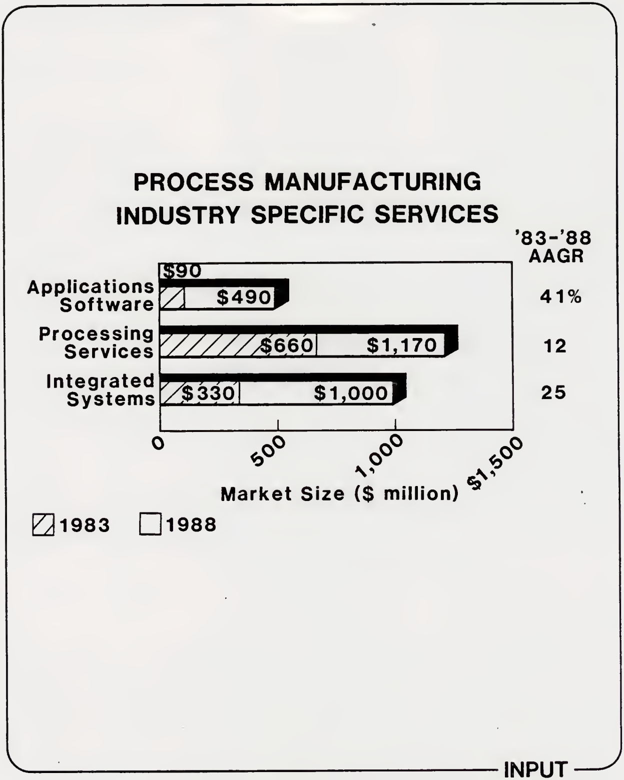
INPUT

DATA BASE-RELATED OPPORTUNITIES

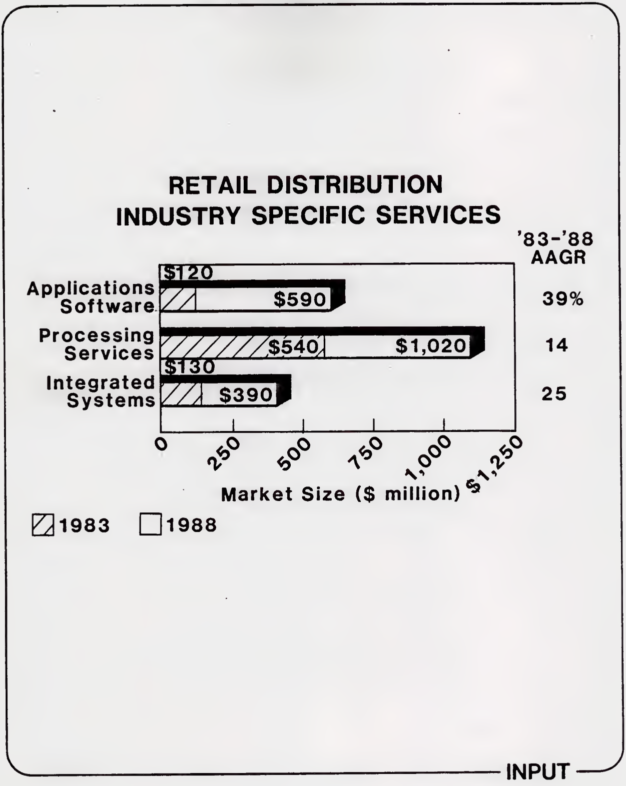
- Provide Distribution Channel For Publishers
- Target Home-based PCs
- Use Spin-off Data From Transaction Processing
- Improve Data Handling and Interface Software

INPUT


EDUCATION
INDUSTRY SPECIFIC SERVICES
'83-'88 AAGR
Applications Software
$30
$100
26%
Processing Services
$60
$90
8
Integrated Systems
$60
$120
15
0
50
100
$150
Market Size ($ million)
1983
1988
INPUT


PROCESS MANUFACTURING
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
$90
Applications
Software
$490
41%
Processing
Services
$660
$1,170
12
Integrated
Systems
$330
$1,000
25
0
500
1,000
$1,500
Market Size ($ million)
1983
1988
INPUT

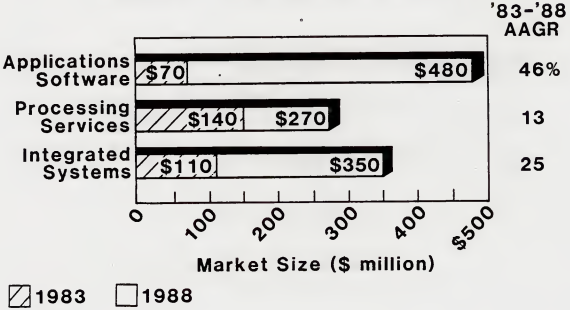
MCP3


RETAIL DISTRIBUTION
INDUSTRY SPECIFIC SERVICES
'83-'88
AAGR
Applications Software
$120
$590
39%
Processing Services
$540
$1,020
14
Integrated Systems
$130
$390
25
0
250
500
750
1,000
$1,250
Market Size ($ million)
1983
1988
INPUT

MCP3

INPUT

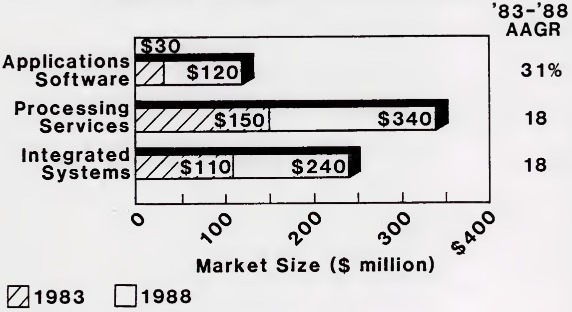
TRANSPORTATION
INDUSTRY SPECIFIC SERVICES



INPUT

MCP3

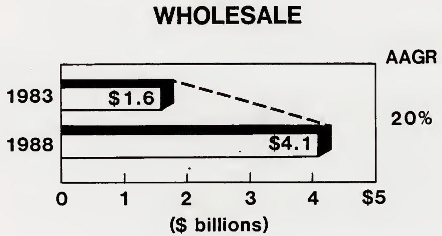
UTILITIES
INDUSTRY SPECIFIC SERVICES



INPUT

MCP3

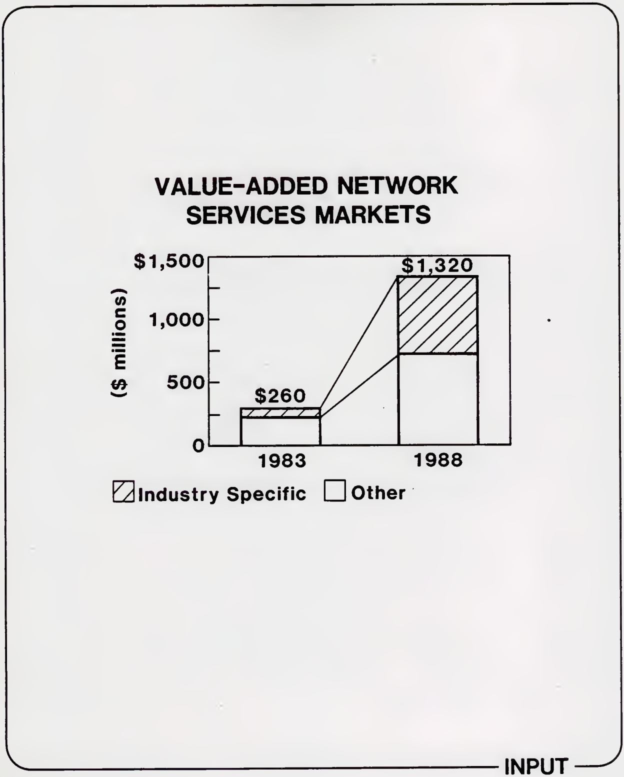
INPUT



INPUT

185MCP3

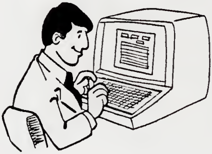
INPUT


VALUE-ADDED NETWORK
SERVICES MARKETS
$1,500
1,000
500
0
($ millions)
$260
$1,320
1983
1988
Industry Specific
Other
INPUT

MPC3

INPUT

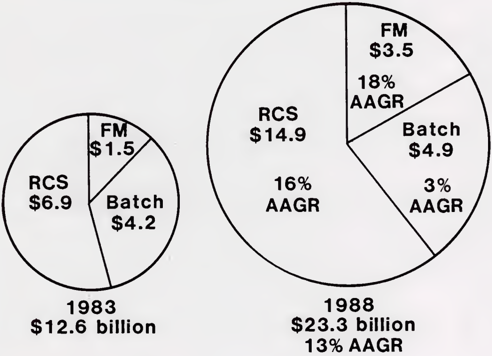
PROCESSING SERVICES OUTLOOK



- Services Mix
- PC Impact and Response
- Recommendations

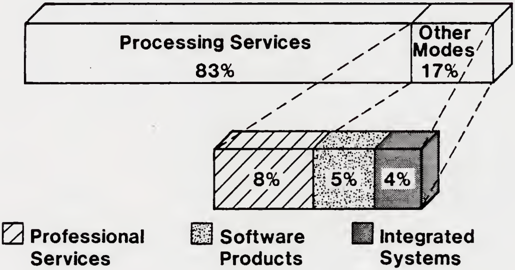
INPUT

PROCESSING SERVICES GROWTH



INPUT

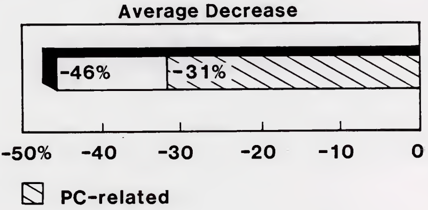
EXPANSION TO MULTIPLE DELIVERY MODES



INPUT

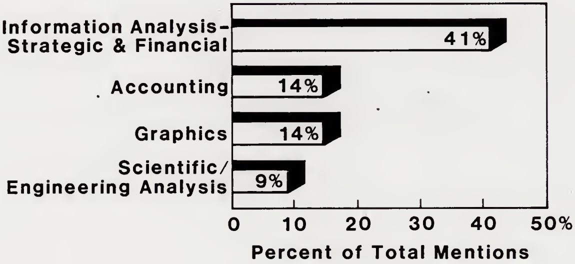
USE OF RCS

- 48% of Respondents Reported Decline in RCS Use



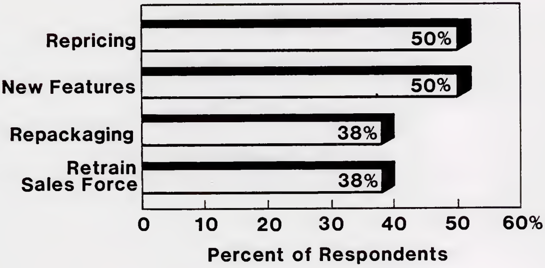
INPUT

RCS APPLICATIONS DISPLACED BY PCs



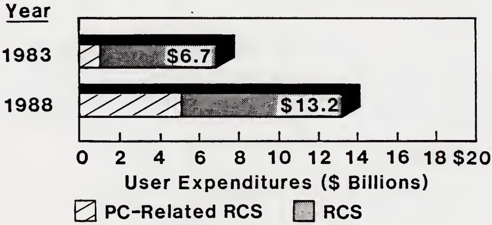
INPUT

RCS DEFENSIVE STRATEGIES



INPUT

PC-RELATED RCS TO BE 33% OF U.S. REVENUES BY 1988



INPUT

AMKT
207MCP3

INPUT

RCS GROWTH STRATEGIES UNLIKELY TO BE DUPLICATED BY PC TECHNOLOGY

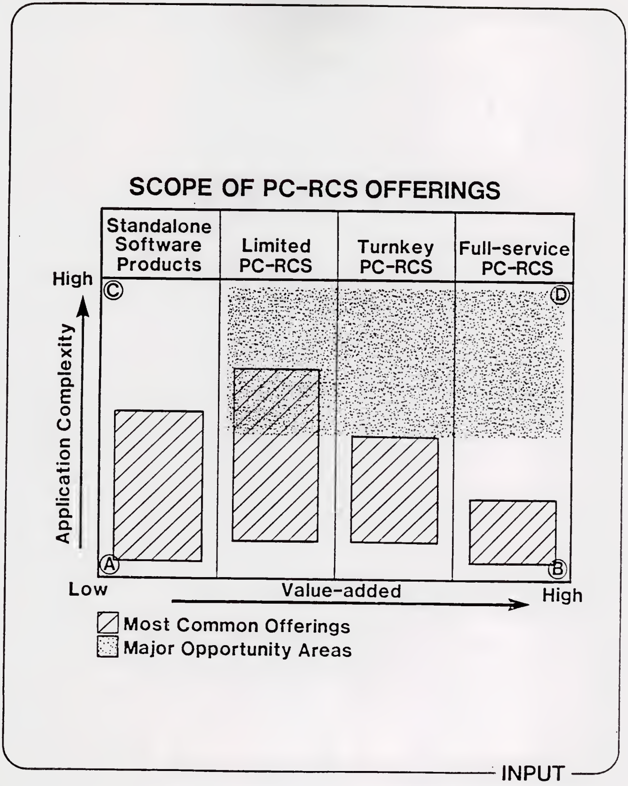
- Strong Customer and Application Knowledge
- Communications (Value-added and LAN)
- Large Data Base Applications
- Large Transaction-oriented Applications

INPUT

RCS GROWTH STRATEGIES UNLIKELY TO BE DUPLICATED BY PC TECHNOLOGY

- Full Range of Customer Support
- Local Sales/Support Offices
- RCS Vendor Accountability

INPUT


SCOPE OF PC-RCS OFFERINGS
Standalone Software Products
Limited PC-RCS
Turnkey PC-RCS
Full-service PC-RCS
High
Application Complexity
C
D
A
B
Low
Value-added
High
Most Common Offerings
Major Opportunity Areas
INPUT

PC-RCS IMPLEMENTATION CONSIDERATIONS

- Stay in Mainstream With . . .
  - Hardware
  - Operating Systems
- Keep Design Open-ended
- Provide Good Ergonomics

INPUT

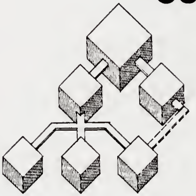
Processing Services

RECOMMENDATIONS

- Focus on Selected Market Segments
- Expand Delivery Mode Alternatives
  - Software Products
  - Professional Services
  - Integrated Systems
- Increase PC-RCS Offerings

INPUT

SOFTWARE PRODUCT OUTLOOK



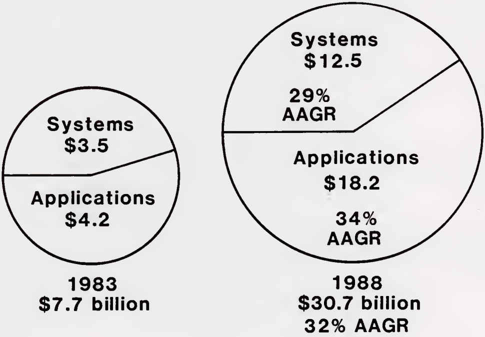
Profile

Trends

Recommendations

INPUT

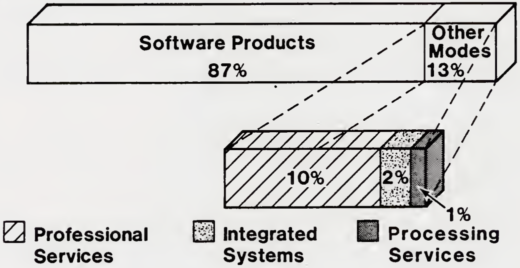
SOFTWARE PRODUCTS GROWTH



INPUT

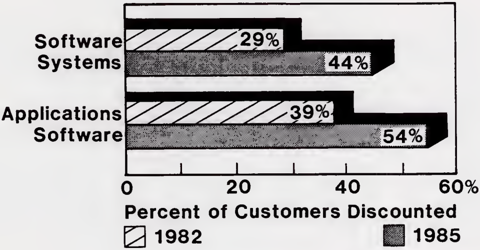
215MCP3

DISTRIBUTION OF SOFTWARE PRODUCTS COMPANIES' REVENUE

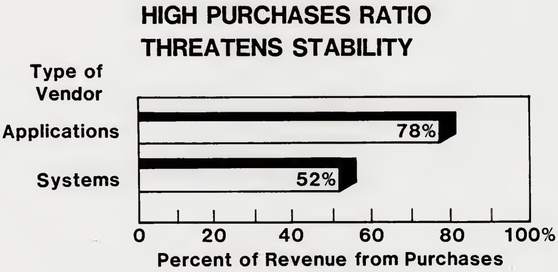


INPUT

DISCOUNTING TO INCREASE



INPUT


HIGH PURCHASES RATIO
THREATENS STABILITY
Type of
Vendor
Applications
78%
Systems
52%
0
20
40
60
80
100%
Percent of Revenue from Purchases

INPUT

SOFTWARE PRODUCT TRENDS

- 82% of Vendors To Have PC Offerings
- More Joint Ventures
- New Entrants
- Increased Acquisitions by Large Companies
- Emergence of Software Product Holding Companies

INPUT

SOFTWARE PRODUCT RECOMMENDATIONS

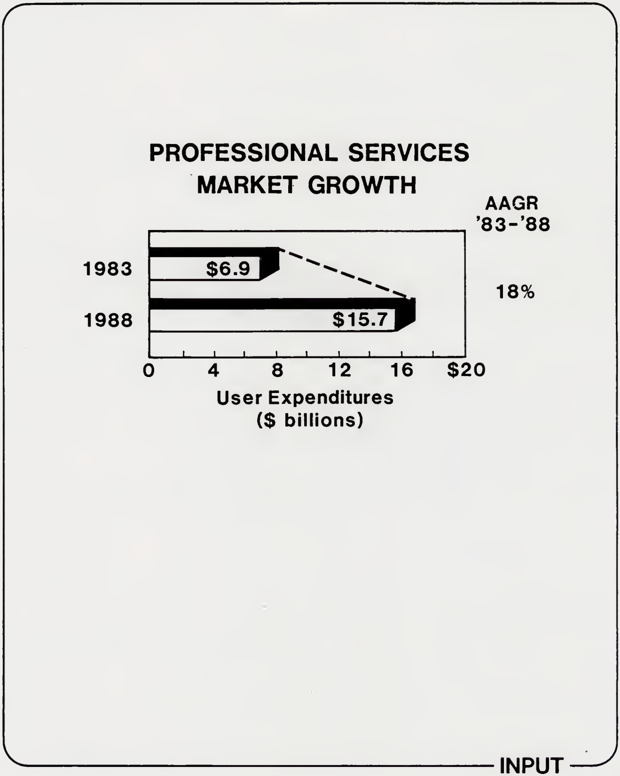
- Use PCs to Pull Mainframe Sales
- Market Mainframe Versions of PC Successes
- Use Third Parties to Accelerate Market Penetration
- Increase Lease Bases to Stabilize Revenue Swings

INPUT

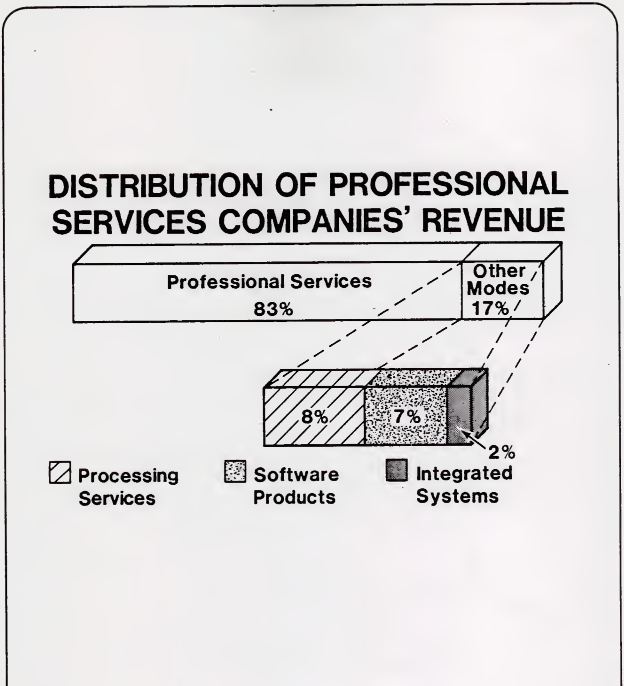
PROFESSIONAL SERVICES OUTLOOK

- Profile
- Trends
- Recommendations

INPUT


PROFESSIONAL SERVICES
MARKET GROWTH
AAGR
'83-'88
1983
$6.9
18%
1988
$15.7
0
4
8
12
16
$20
User Expenditures
($ billions)
INPUT

223MCP3



224MCP3

INPUT

Professional Services

TRENDS

- Growth Variance by Geography
- Enhanced Activity by RCS Vendors
- More E&T Competition From Hardware Vendors

INPUT

225MCP3

Professional Services

RECOMMENDATIONS

- Establish Speciality Skills
- Expand Alternative Delivery Modes to Known Markets
- Seek Joint Marketing Relationships

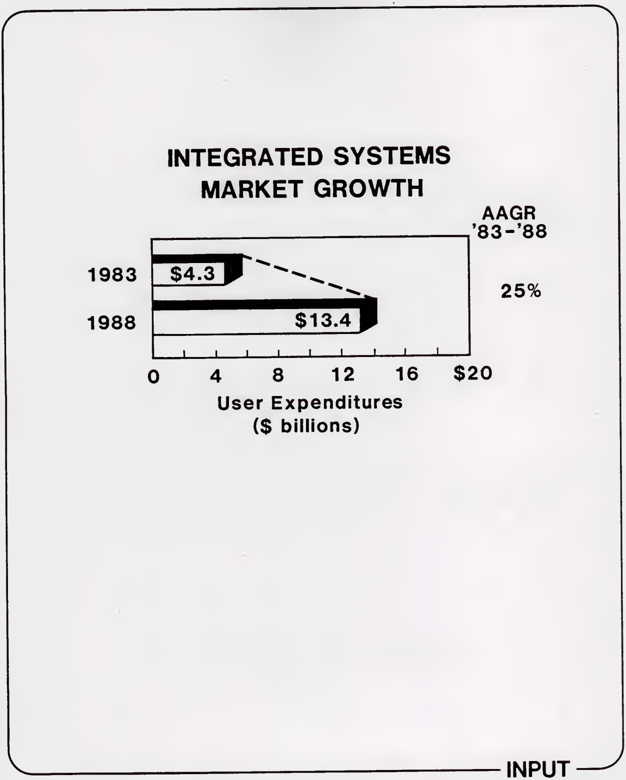
INPUT

226MCP3

INTEGRATED SYSTEMS OUTLOOK

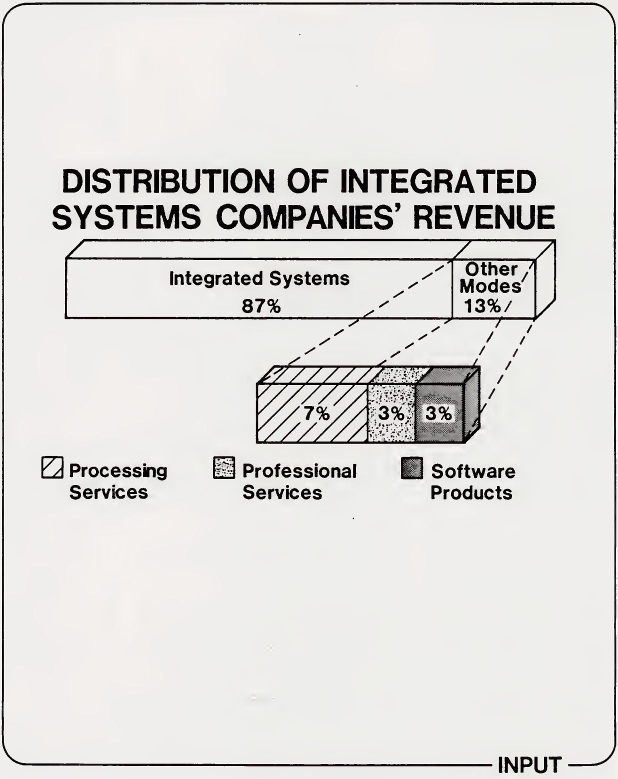
- Profile
- Trends
- Recommendations

INPUT



228MCP3

INPUT


DISTRIBUTION OF INTEGRATED
SYSTEMS COMPANIES' REVENUE
Integrated Systems
87%
Other
Modes
13%
7%
3%
3%
Processing
Services
Professional
Services
Software
Products
INPUT

Integrated Systems

TRENDS

- Expanding Service Offerings
  - Service/Software More Important than Price
  - Enhanced Account Control
- Competition From Nonturnkey Vendors

INPUT

RECOMMENDATIONS

- Offer Variations of Service
  - RCS Version
  - Rental Systems
  - Software Products
- Develop PC Tie-ins
- Expand Field Service Role

INPUT

CONCLUSIONS AND RECOMMENDATIONS

INPUT

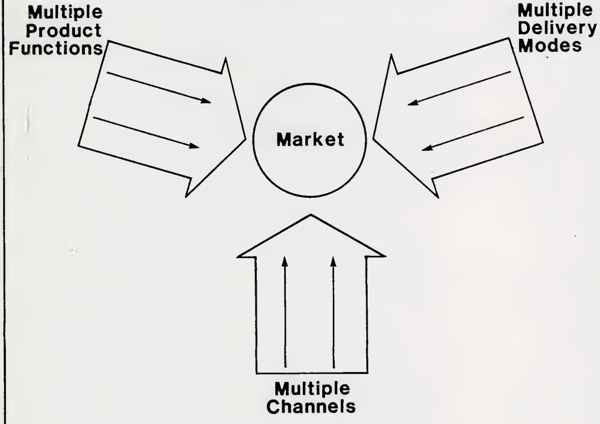
THE INDUSTRY TODAY

- Demand Exploding
- Technology Creating More Options
- Users Want Best of Both Worlds
  - More Powerful Systems
  - Easier Use
- Competition Becoming Better Financed

INPUT

Recommendations

USE INTEGRATED STRATEGIES TO LEVERAGE MARKET EXPERTISE



INPUT

234MCP3

INPUT

Recommendations

OFFER MULTIPLE PRODUCT FUNCTIONS

- Previously Separate Functions
  - LISA
  - (LOTUS 1-2-3, Context MBA)
- Link to Other Vendors' Systems
  - VisiAnswer/Answer DB

INPUT

Recommendations

USE MULTIPLE DELIVERY MODES

- Competitive Edge Is Market Knowledge
- Software Product Versions
- Complementary Data Base Services

INPUT

Recommendations

USE MULTIPLE DISTRIBUTION CHANNELS

Examples:

Artificial Intelligence, Inc. →	IBM (INTELLECT)
VisiCorp →	Informatics, ADR
AGS Computers →	Micro America Distributing
SEI →	Client Banks

INPUT

EXAMPLES OF MULTIPLE DELIVERY MODES

RCS (Martin Marietta) ⟶ Systems Software (Mathematica)

RCS (ADP,CSC) ⟶ VAN (Autonet)

Turnkey Systems (ASK) ⟶ RCS (ASKNET)

INPUT

237MCP3

INPUT

SUMMARY

- Provide Multiple Approaches to Selective Markets
- Leverage Partnership Opportunities

INPUT

SUMMARY

- Embrace End-user Computing
- Accelerate PC-oriented Services
- Design for Three Levels
- Focus on Ergonomics

INPUT

1983 - 1988

UP,

UP,

AND AWAY!

INPUT